

R E P O R T

OF THE

BOARD OF MANAGERS

OF THE

Lehigh Coal and Navigation Company,

TO

THE STOCKHOLDERS.

JANUARY 10, 1842.

PHILADELPHIA:

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AT an election held on the 10th of January, 1842,
the following named persons were chosen officers of
THE LEHIGH COAL AND NAVIGATION COMPANY, for
the ensuing year :—

PRESIDENT.

JOHN COX.

MANAGERS.

JOSIAH WHITE,
ERSKINE HAZARD,
TIMOTHY ABBOTT,
THOMAS EARP,
JAMES McALPIN,

WILLIAM H. HART,
ISAAC COLLINS,
HENRY COPE,
JAMES COX,
CALEB COPE.

TREASURER.

OTIS AMMIDON.

EDWIN WALTER,
Secretary.

At the Stated Annual Meeting of the Stockholders
of *The Lehigh Coal and Navigation Company*,
held January 10, 1842,

The Report of the Board of Managers and the accompanying documents having been read, the following resolutions were adopted by the meeting :—

RESOLVED, *That the Report just read be approved, and that the Board of Managers be instructed to publish the same, or such parts thereof and such additional matter, as the Board may deem expedient, for the information of the Stockholders.*

RESOLVED, *That the thanks of the Stockholders are justly due, and they are hereby presented to the Managers, for the zeal, ability, and fidelity with which, through a period of great difficulty and embarrassment, and under the pressure of an unlooked for calamity, they have discharged the arduous and burdensome duties which have devolved upon them as Guardians of the widely extended and comprehensive interests confided to their care.*

THOMAS P. COPE, *Chairman.*

EDWIN WALTER, *Secretary.*

R E P O R T
OF THE
BOARD OF MANAGERS
TO THE STOCKHOLDERS
OF THE
LEHIGH COAL AND NAVIGATION COMPANY.

THE last Annual Report of the Managers presented to the Stockholders a flattering view of the prospects of the Company for the then ensuing year, encouraging the hope that an approaching season's prosperous business would soon carry the Company through all their difficulties. Subsequent experience justifies the belief that such would have been the fact, had not an overruling Providence otherwise permitted. At the very moment of writing that report, a flood of magnitude and violence unexampled on the Lehigh, was devastating the Company's works. On the very eve of the meeting intelligence of the disaster arrived, unaccompanied by any information of the extent of the injury. This was afterwards communicated to the Stockholders in a supplement to the printed Report. By it the managers had the painful duty of informing you of the extensive damage done to the works on the river; and circulars addressed to you on the 25th February and 9th March, urgently solicited subscriptions to a fund for the repair of the naviga-

tion, and the discharge of certain claims upon the Company then due, or falling due in the current year, the resources for the payment of which had been cut off by this unexpected calamity. The managers have now to lay before you the result of those calls, with an account of the transactions of the past year.

The serious depression in the credit of the Company, and the diminution of confidence occasioned by the recent visitation, rendered it imperative to offer some security, other than the usual pledge of faith in the certificates of loan, to those who were to be asked to furnish aid in such disastrous circumstances; a *general* subscription being obviously impracticable. No coal could be got to market. All the resources of the Company, except the stock of coal on hand and outstanding debts, were cut off. It being, therefore, necessary to give some specific pledge for the payment of the proposed loan, a mortgage was executed of the coal and other lands of the Company in the neighborhood of Mauch Chunk as security for a million of dollars. The proposals admitted loans past due to be subscribed as cash, and invited also the subscription of the loans falling due in the month of April ensuing. The entire amount of the subscription was \$490,105 71, of which the sum of \$166,543 49 only was in cash, the remainder being renewals of the loans just mentioned. As soon as the weather permitted, the most strenuous exertions were made to get the works into operation;

and by the 10th of July the Lehigh from Mauch Chunk to Easton, a distance of forty-six miles, was in a state to permit the free passage of boats. The repairs of this section, which are now complete, including the *extra* work that was necessary to guard against future accidents, have cost the sum of \$219,570 64. The Beaver Meadow Company also repaired their railroad from Quacake to Mauch Chunk, where suitable landings were afforded to them. Thus nearly all the mines which had previously been in operation were enabled to recommence sending down their coal. The Delaware division was repaired by the beginning of August, so as to pass boats. But an unfortunate rise in the water from one of the creeks over their unfinished work caused the loss of the principal part of that month. Since then there has been no interruption of navigation; and, although nearly two-thirds of the season were lost, 143,038 tons of coal have been sent to market from the Lehigh, viz :—

From the Mines of the Lehigh Coal and Nav. Co., 78,164 tons.				
Beaver Meadow Company,	.	-	-	26,232 "
Hazleton do.	-	-	-	21,263 "
Sugar Loaf, do.	-	-	-	17,170 "
Other Coal,	-	-	-	209 "
Total,				143,038

The quantity furnished by the mines of the Company, viz : 78,164 tons, in addition to about 46,000 tons on hand in the spring, has been sold. It is however to be regretted that the necessities of the Company,

requiring an immediate supply of cash to meet urgent demands, compelled the managers to dispose of the greater part of the old stock remaining on hand at prices which left but little profit on that portion of their sales. The *new* coal of the season has however yielded a fair profit.

The following is a statement of the Freight carried on the improvements of the Company in 1841, the tolls on which amounted to \$ 61,722 66, viz :—

LOWER SECTION.

	ASCENDING. Tons. Cwt.	DESCENDING. Tons. Cwt.	TOTAL. Tons. Cwt.
Coal, - - -	10	143,037 16	143,038 06
Grain, - - -	411 08	1,663 08	2,074 16
Flour, - - -	220 02	4,164 12	4,384 14
Salt, - - -	594 16		594 16
Salt Fish, Beef and Pork, - - -	281 07		281 07
Other Provisions, -	38 03	1 00	39 03
Whiskey, - - -	9 13	15 03	24 16
Hay and Straw, - -	142 12		142 12
Lumber, - - -	479 00	1,516 04	1,995 04
Cord Wood, - - -	30 00	745 02	775 02
Bricks, - - -	288 15	20 00	308 15
Roofing Slate, - -	20 00	50 00	70 00
Lime and Limestone, -	2,356 18	36 00	2,392 18
Other Stone, Sand, Clay and Plaster, -	1,044 18	65 00	1,109 18
Iron, - - -	480 13	2,710 14	3,191 07
Iron Ore, - - -	2,204 00	489 00	2,693 00
Pitch, Tar, Rosin, &c.,	10 17		10 17
Merchandise, -	1,209 11	111 12	1,321 03
Cement, - - -	538 02		538 02
Totals, -	<u>10,361 05</u>	<u>154,625 11</u>	<u>164,986 16</u>

In addition to the foregoing the following freight was carried on the Upper Section, 1841.

	Tons. Cwt.	Tons. Cwt.	Tons. Cwt.
Lumber, . . .	46 15	715 15	762 10

One hundred and sixty-two tons of Merchandize and one thousand and twenty-seven Passengers were carried over the Lehigh and Susquehanna Railroad during the year 1841.

The repairs of the Navigation above Mauch Chunk have all been contracted for. The contractors are making fair progress in their work, which it is expected will be completed, at least so far as to allow the passage of boats in July next, and in such a manner as not to be materially injured by a freshet even higher than that of the last winter. Of this, the managers think, the effects of that flood give the strongest evidence. Above Mud Run the works sustained no damage, the waters rising there only to the level of the *guard banks*.* In one instance, the water was prevented from flowing over the guard bank, by a few shovels full of earth thrown up by the men set to take care of it. These guard banks, always made higher than any *known* freshet, are only calculated to withstand the *pressure* of the water, but not to

* Guard banks are mounds of earth, extending from the *overfall* of the dams to the high shores on either side and intended to be above all floods. The *overfall* is that part of the dam included between the guard banks, over which, it is designed, the current shall flow.

resist the action of a *current passing over them*. The dams are made purposely for the water to flow over. In this part of the work then, no serious damage was sustained. Even the ice was retained and did not pass over the dams; thus confirming the prediction that the works in the upper section of the Lehigh would be secure from ice-freshets; as the ice will be retained in the ponds until it melts. The additional volume of water poured by Mud Run into the Lehigh, raised the latter so as to overtop all the guard banks in the lower part of the river. As would be expected, the current swept them away, wearing down the natural banks to the rock, and, in some cases carrying with them the shore-walls of the locks which on that side were protected only by the guard banks. But the *dams*, built with a view to withstand a current, were left unmoved in the midst of the stream, unconnected with either shore. Although, in the aggregate, about 5,000 feet in length of dams were thus exposed to the violence of the flood, not a single dam in the line was carried away. Beyond doubt, had the guard banks of these dams been raised to the height reached by the waters, so as to prevent its passage over them, little other damage would have been sustained than from the numerous high freshets to which the works on the Lehigh have hitherto been almost harmlessly exposed. As a precaution for the future, in the new work, the dams will be extended to the high shore; so that if the

guard bank, which will be raised upon them some feet above the last unparalleled flood, should be overtopped by one still higher, its effect will be confined to the mere guard above the level of the dam. But the recurrence of such great calamities is rare in proportion to their magnitude ; and it would be as unwise in the Lehigh Company not to repair their works, with the additional precautions suggested by the event, as to refuse to build towns, because one had been destroyed by fire or by a tornado.

To show the importance of this Upper Section, it may be stated that the tolls received on freight which entered that Section in 1838 (the first season) were \$11,968 09, in 1839 \$29,172 51, and in 1840, \$56,464 23—this being the *third* season only since the opening of that portion of the work, and the trade but just developing.

With the aid of the coal business, the Managers have been enabled to keep the repairs of the navigation and other works of the Company going on, to discharge some of the most pressing debts, and to pay the interest on the loans as it fell due in the past year. The exhaustion of their funds, however, rendered it necessary, by a circular dated the 14th of October last, to make another appeal to the stock and loan holders, to complete the amount of subscriptions called for in the preceding circulars of February and March. With great difficulty a further subscrip-

tion of \$ 95,000 was obtained, payable by instalments, making, with previous subscriptions, the whole amount of cash subscribed about \$262,000, being less by nearly \$60,000 than the original estimate by the engineer of the sum necessary to replace the navigation *in the same condition* as before the flood, to say nothing of the expense of additional work done to prevent future injury from a recurrence of a similar accident. Under these circumstances it was deemed advisable to accept the offer made by some of the loan holders to subscribe to the mortgage loan, in lieu of cash, the *interest* which would accrue on their other loans during the present year; and, finally, the managers were reduced to the painful necessity of urging the loan holders generally by their last circular of the 23d December, to submit to the same temporary inconvenience.

It will thus be seen that the managers have had great difficulties to contend with in the fiscal arrangements of the company. They believe that, a few years hence, it will scarcely be credited that the managers of the Lehigh Company—possessing the most direct and the cheapest route to both New York and Philadelphia for the products of the Northern and North Western parts of this State, and of the Southern and Western parts of the State of New York; communicating with the Great West by both the Chemung Canal and the Portland Rail-

road; having inexhaustible stores of Coal in their own mines; their works forming the chief road to market for three great anthracite regions; the vicinity of their Navigation abounding in timber and in all the materials for the manufacture of iron, for which the Lehigh itself furnishes the necessary power—should have experienced the mortification of such repeated applications to the stock and loan holders, to borrow a sum of money not equal to one half of their probable future annual income. The confidence of the Managers in the truth of this statement may be seen in the fact, that the names of such of them as had the means, are in the list of subscribers to the mortgage loan for nearly one third of the whole subscription.

Except the damage occasioned by the unprecedented flood of last winter, the property of the Company is whole and entire; and will, on the completion of the repairs, be worth intrinsically more than it ever was. The business of the coming season will, it is trusted, revive the confidence of the public also.

One very desirable change has resulted from the misfortunes and embarrassments of the Company. Loan holders and the public have often alluded in terms of disapprobation and regret to the great disproportion between the respective amounts of the loans and of the capital stock. This evil, the neces-

sary consequence of the limit imposed by the charter, the managers had on several occasions vainly endeavored to remove. Advantage was taken of the prostrate condition of the company immediately after the flood, again to appeal to the consideration of the Legislature. The appeal was successful. A law was passed authorizing the increase of the capital stock to an amount equivalent to the cost of the works.* The Managers believe that a few years of prosperous business are alone necessary to place the shares again at such a price as will facilitate the conversion of the loans into stock to an extent that will satisfy the most timid.

The lumber-men established at the head waters of the Lehigh, have, notwithstanding the interruption of the passage to market, continued their operations to some extent. It is estimated that on the completion of the repairs, thirty millions of feet of lumber will be ready to pass. The mills already in operation can furnish that quantity annually, with the prospect of a regular increase for some years.

** The following is an extract from the Law passed March 13, 1841:—*

“That it shall be lawful for the Lehigh Coal and Navigation Company to increase their Capital Stock, by the sale of shares or otherwise, to any amount which shall not exceed the actual cost of the Navigation and Railroad, required by the several acts of Assembly of this Commonwealth, to be constructed by that Company. * * * * * *Provided*, the Capital Stock authorized by this and former acts of Assembly shall not exceed six millions of dollars.”

The Managers have made contracts for the delivery of 200,000 tons of coal from the Company's mines in 1842, for the sale of which the prospect is favorable, and they are led to hope that the shipments of coal from other mines by the Lehigh will be carried to a nearly equal extent. The demand for LEHIGH Coal has greatly increased. The unfounded prejudice hitherto existing in New York in favor of the red ash, is fast yielding to experience of the superiority belonging to the coal from the Lehigh.

The use of anthracite in the manufacture of iron is rapidly extending the sale of this species of fuel.

The furnace erected by the Crane Company on the Lehigh was thrown out of blast by the effects of the flood, and was not got into operation again until July, in consequence of the repairs rendered necessary by that disaster. It has since continued successfully at work. The quality of the metal made by it has been fully approved both for bar iron and castings. The Company have now erected a second furnace on a larger scale, which they contemplate putting into blast in the month of February. That the iron business will be prosecuted on the Lehigh and Morris Canals to a great extent no longer admits of doubt. Probably no location more favorable for it can be found in the country, the great supply of the various materials, their superior quality, the abundance of power, and facility of access to market, being all taken into view.

The enlargement of the locks and planes on the

Morris Canal occupied the whole of the last season, and only 2,755 tons of coal entered it from the Lehigh. Before the completion of the work the embarrassments of that Company obliged them to abandon it, and the canal is now advertised to be leased. It is feared that that work cannot now be carried on without changing owners; but it cannot be doubted that the advantages for business which it offers, from sources belonging to the line of the canal itself, and from its forming a connection between the Lehigh and New York, will induce capitalists to seize upon and complete this important improvement.

It is regretted that an outlet lock into the Delaware river to communicate with the Delaware and Raritan Canal has not yet been made, the want of it having driven the trade of the Delaware division of the Pennsylvania Canal into other channels, to the great loss of tolls to the State. Eighty-nine thousand tons of coal have in a year passed to New York and Eastward by canals in which the State has no interest, the greater part of which quantity would have gone by the Delaware Canal, as being the shortest road to market, had this outlet lock been made.

Little work has of necessity been done on the Lehigh and Wilkesbarre Railroad during the past season. It has been stated in the circular of the 14th October, that "this Railroad only awaits the completion of the repairs of the upper section of the navigation. Three weeks' work

and an expenditure of about \$12,000 will, the engineer reports, give us the use of the entire road from river to river. The whole line of improvement from the Delaware to the Susquehanna will then be ready for business, in the magnitude and profitable result of which the Managers have undiminished confidence.”

It is with feelings of deep regret the Managers inform the Stockholders that since the last Annual Meeting the Company have been deprived by death of the valuable services of Joseph Watson, Esq., who filled the office of President for a period of twelve years, discharging its various arduous and important duties with assiduity and great integrity. The Managers filled the vacancy thus made by the appointment of their colleague, Josiah White, who consented to serve until the Annual Meeting of the Stockholders.

The Board herewith submit several documents, further elucidating the condition of the affairs of the Company, which will remain open at all times for the inspection of the Stockholders and others interested, at the Company's office.

By order of the Board of Managers,

JOSIAH WHITE, PRESIDENT.

Philadelphia, First Mo. 8, 1842.

Office of the Lehigh Coal & Navigation Company,

MARCH 10, 1842.

Owing to the unexampled difficulty and pressure of the times, the Board of Managers, finding themselves unable to borrow the money necessary to complete the repair of the works and satisfy the pressing demands upon them, were urged, by a sense of imperative duty to the Loanholders and Stockholders, to apply to the Legislature for an act, to authorize them to place under trust by mortgage all the property of the Company, as the only course left to them, by which they could preserve, for the benefit of all parties interested therein, the value of the great work entrusted to their care. They have delayed the printing of this Report, to afford the opportunity of appending to it the law which has been obtained.

Under the authority vested in them, and with the advice and direction of eminent counsel, the Board of Managers have executed a conveyance of all their property and estates, real and personal, whatsoever and wheresoever, including their corporate privileges and rights, to *Josiah White, Caleb Cope and James Cox* in trust for the purposes declared in the said act, subject to the conditions of two mortgages previously made.

By the terms of this Instrument, as executed on the 7th day of March, 1842, it is expressly declared and agreed by and between the parties to the mortgage that, "it shall be lawful for the said the Lehigh Coal and Navigation Company, notwithstanding this Indenture, to continue in the possession and management of the property hereby mortgaged, as well personal as real, without prejudice to the security of this Mortgage; and to pay and apply the gross effects and monies thence arising, or to arise, or any part thereof, as they shall see fit, to the Interest that shall fall due upon the Mortgages aforesaid, and to the payment of any taxes, assessments, incumbrances, charges or liens upon or against the said premises, or any part thereof, or of the proceeds thereof, or against the said Company, and to the payment of any demands arising from contracts for the purchase of materials or workmanship in the construction, repairs or prosecution of their said works, or for money borrowed and applied towards the completion or repairs of the same, and not evidenced by certificates of Loan or Debt bearing interest; and they shall be authorised in like manner to apply any portion or the whole of the said further sum of six hundred thousand dollars which they are authorised to borrow in and by the said Act of Assembly hereinbefore recited, when and so soon as they shall have effected such Loan; PROVIDED

“ that the said Company and the said Board of
“ Managers shall not make any dividend of profits to
“ the Stockholders of the said the Lehigh Coal and
“ Navigation Company, while any Loan, which has
“ been made or shall be as aforesaid made to the said
“ Company, and which shall or may have fallen due,
“ shall after demand remain unpaid; AND PROVIDED
“ ALSO that all profits arising from the business of the
“ said Company, after defraying the expences thereof
“ and of the completion and repairs of their works,
“ shall be applied in the first place to the payment of
“ the interest on all Loans to the Company, and then
“ to the principal of all Loans and other debts which
“ for the time being shall be due and unpaid; AND
“ PROVIDED further that, when and as often as the
“ principal of all Loans and Debts then due and
“ payable shall be fully paid and discharged, or
“ reservations of money shall be made to meet
“ them when demanded, then the said Board of
“ Managers may at their discretion and if they see
“ fit, but not otherwise, pay and apply so much of the
“ surplus monies on hand arising from the said
“ profits as from time to time shall be necessary to
“ make a dividend of the said profits among the said
“ Stockholders, not exceeding six per cent. on their
“ Capital Stock in any one year; and in case, after
“ such dividend and dividends, there shall still be a
“ surplus of monies on hand arising from said profits,
“ then the said Board of Managers shall pay and

“ apply the remainder for the time being as a Sinking
“ Fund, to be held in the names of such persons as
“ the said Board of Managers shall name and
“ appoint, and to be invested either in the purchase
“ of Loans to the company not then due and payable,
“ or in good securities bearing interest, and for the
“ benefit of the said Loanholders so far as their
“ security may require, and afterwards for the
“ benefit of the Stockholders of the said Company.”

It is thus seen that the mortgage provides that the affairs of the Company shall continue to be directed by the Board of Managers, elected by the Stockholders, who having so large a reversionary interest in the property, will be influenced by the strongest motives to see that it be turned to the best account. The ample estates of the Company, being thus kept together, connected, entire, and preserved from sacrifice, offer to the holders of their obligations all the security for their payment that can reasonably be demanded.

By order of the Board of Managers.

J. COX, PRESIDENT.

A FURTHER SUPPLEMENT

To an act entitled "An act to incorporate the Lehigh Coal and Navigation Company."

SECTION 1. Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania, in General Assembly met, and it is hereby enacted by the authority of the same, That it shall be lawful for the Board of Managers of the Lehigh Coal and Navigation Company, in addition to the amount they now owe, to borrow from time to time, any sum, or sums, of money, not in the whole exceeding six hundred thousand dollars, to enable them to complete and repair their works and to carry on their business; and to secure the payment of the Certificates to be given therefor and all other claims against the said Company, to execute a mortgage or mortgages on their navigation, rail road and all other property, and on the tolls, rents, issues and profits accruing therefrom, or on any portion or portions thereof, and that in case of a sale under the said mortgage or mortgages, the purchasers shall have and enjoy the same corporate

privileges and the same rights in the mortgaged portion or portions of the said Navigation and Rail Road, and in the collection of tolls, as the said Lehigh Coal and Navigation Company now have; and shall be authorized to organize and continue the Corporation, by the division of their capital into shares, and by the election of Managers and officers in like manner. And if the mortgage or mortgages shall so stipulate, the said Lehigh Coal and Navigation Company may continue in the possession and management of the mortgaged property, as well personal as real, without prejudice to the security of the mortgage thereon. Provided, that no dividends of profits shall be made to the Stockholders of the Lehigh Coal and Navigation Company, while any loan which may have fallen due shall after demand remain unpaid. And Provided also, That all profits arising from the business of the said Company, after defraying the expenses thereof, and of the completion and repairs of their works, shall be applied, in the first place, to the payment of the interest on all loans of the Company, and then to the payment of the principal of all loans and other debts which for the time being shall be due and unpaid.

SECTION 2. All mortgages executed and acknowledged under the provisions of this act shall be recorded in the Recorder's Office of the County of Lehigh within thirty days after such acknowledgement, and such recording shall be as good and effectual in

law, to all intents and purposes, as if the same had been recorded in all the counties in which the said mortgaged property may be situated or be; and all legal proceedings had upon said mortgage shall be instituted in the Court of Common Pleas of Lehigh County, whose judgment and final process shall be as effectual as if all the property was situated in said County; and no proceeding shall be had on any such mortgage until the expiration of ten years from the date thereof, and in all cases of sale on any such mortgage, the proceeds thereof shall be applied pro rata to the payment of all debts of said Company of every description whatsoever.

JAMES ROSS SNOWDEN,
Speaker of House of Representatives.

JOHN STROHM,
Speaker of the Senate.

Approved the Sixteenth day of February, 1842.

D. R. PORTER.